

ANNUAL REPORT 2016



Message from the General Director of Irizar Group

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We are continuing to roll out our strategy based, fundamentally, on strengthening our brand by incorporating technology for the development of integral Irizar-brand products. These products include vehicles with combustion engines for the Premium intercity segment as well as hybrid intercity coaches and 100% electric buses.

At present, our group is radically different from what it was a decade ago. The Irizar of old, which was a benchmark in coach bodywork, has developed into a strong brand worldwide and a world leader in the manufacture of high-end coaches and buses with own-brand technology. All this has been possible thanks to the commitment to industrial diversification and to own-brand technology, research and development and attracting talent.

We are proud of what we have achieved over the years and we are continuing along this path, which is marked by our strategy and our mission.

We are continuing to set a rapid pace of innovation and, in 2016, we have increased our own vehicle offering with the launch of the new Irizar i6S model in order to continue on the path taken by the Irizar i8, launched in 2015.

The technology of this coach goes way beyond the model it replaces in European markets - the Irizar pb - and adds a clean and beautiful design that is consistent with the new lines started with its elder brother.

In 2016, we have also launched the i3 and i4 models with hybrid technology. The class II hybrid i4 model is the only coach with a luggage compartment for short-distance routes with this technology, making it ideal for cities and their surrounding areas.

Our parent plant in Ormaiztegui is once again growing, leading the Group with a production volume of more than 1,300 units, although the highlight of 2016 has been the enormous growth at the plant in Mexico. This is mainly due to the start of produc-

tion of our new flagship, the Irizar i8 model, and has led us to produce over 1,000 units for the first time in our history.

In the last two years, Irizar S. Coop. has steadily hired 200 people, a third of whom are highly qualified, in order to increase our technological and R&D capability. We now number almost 800 people in the parent company.

Irizar e-mobility, a new company focused on electric buses, was founded within the Group. We have high expectations for this new business and are very excited about its prospects. The family of Irizar electric buses has grown in 2016 with an articulated 18m model that will be developed in two versions throughout 2017. The Group's first BRT (Bus Rapid Transit) began durability testing before mass production starts in 2016.

With all this, we already have a wide range of products and technological solutions ranging from 100% electric buses, to hybrid technology in class II coach models for urban and intercity services, to conventional buses and coaches. This means we are able to cover all segments of public passenger transport, including occasional, public, urban, intercity and long-distance transport and to be leaders in the sustainable mobility sector.

In addition, we can offer our customers and cities tried and tested state-of-the-art technologies, customised services, comprehensive electronic management, Irizar connectivity, turnkey solutions and the benefit of having a single point of contact for all their needs.

We are therefore continuing along our path of solid growth with a commitment to our customers and to society, which we demonstrate by trying to offer more added value in key areas in the world today such as safety, technology, comfort and sustainability.

José Manuel Orcasitas
General Director of Irizar Group

Annual report in figures - 2016

New Visitor Returning Visitor



Job creation

Sales

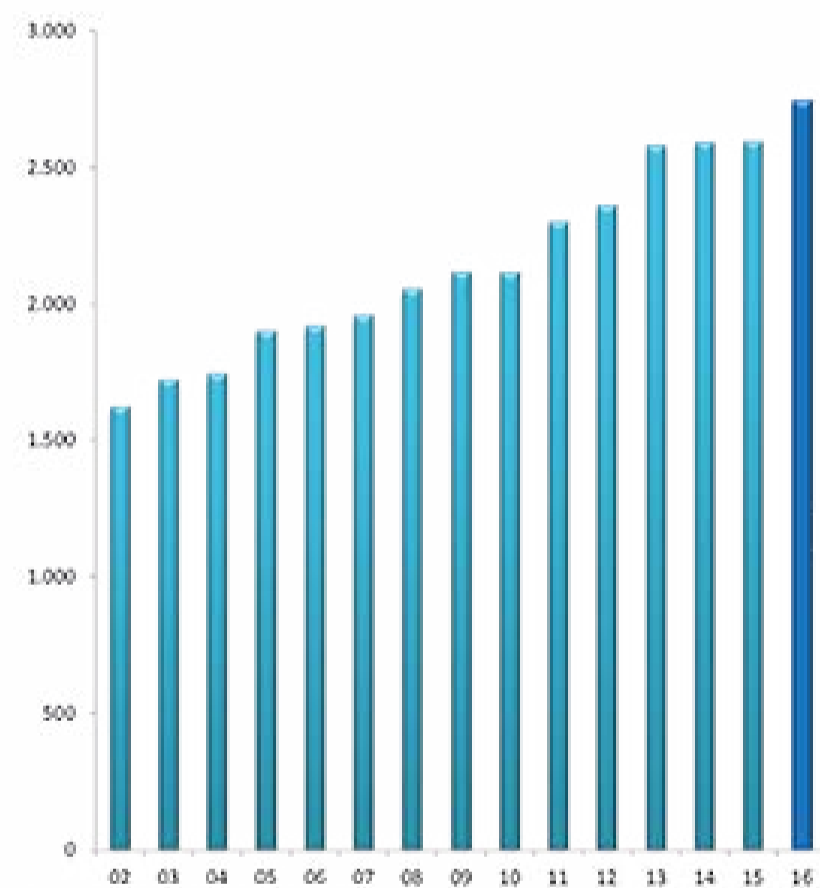
Assets

Own funds

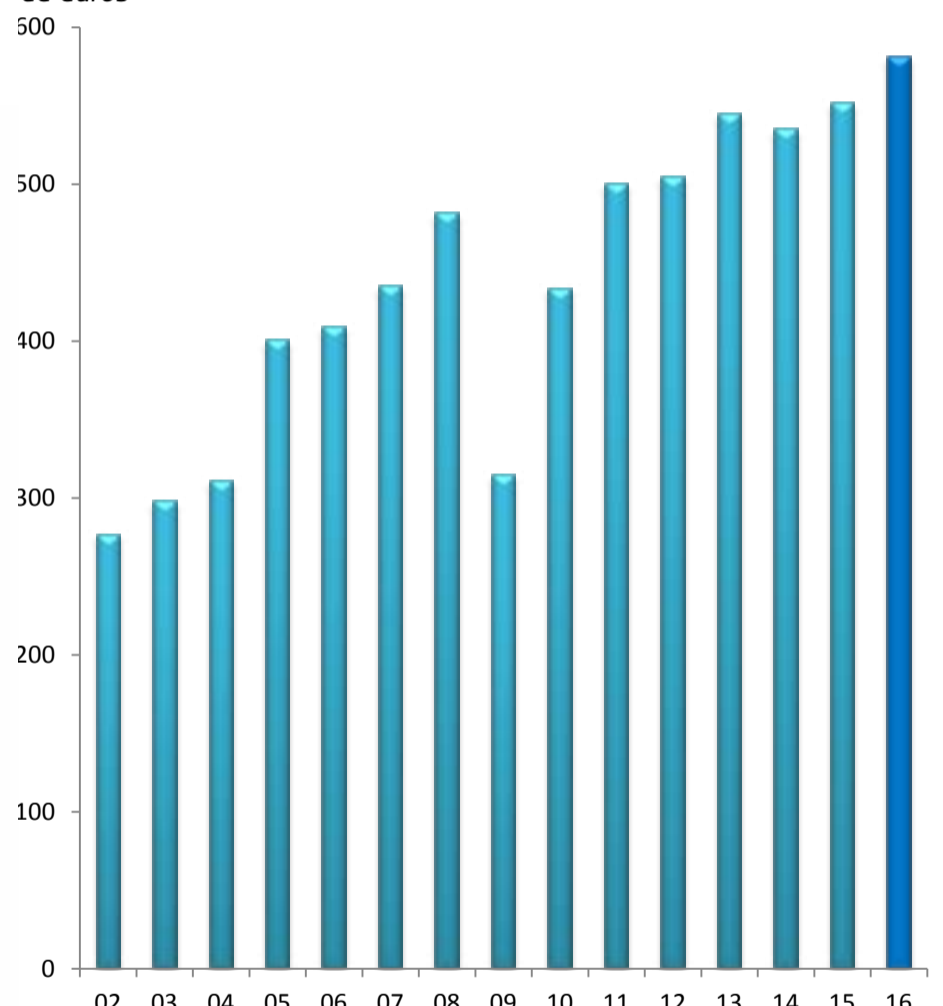


4

Nº personas



Miles de euros



The Irizar Group has grown once again and closes 2016 with a turnover of 580 million euros.

Alongside the group's Mexican plant, Irizar's parent plant in Ormaiztegui is once again the driving force behind the group's growth. Irizar Ormaiztegui's turnover once again accounts for 50% of the group's total turnover, supported by the increased added value of its products.

The key lies in consolidating the strategy for growth in our own-brand products, integral coaches, which have accounted for around 25% of the parent company's coach production.

In terms of units, we have produced 2,835 "Premium" coach units across the group of which 1,332 coaches, 47% of the total, have been

manufactured at the plant in Ormaiztegui. Of these 1,332 units, 330 are Irizar-brand integral coaches.

Of the total produced, 708 units have been delivered to the domestic market (almost 25% of the total and slightly over 50% of the units manufactured at Ormaiztegui), which represents a new record high for this market.

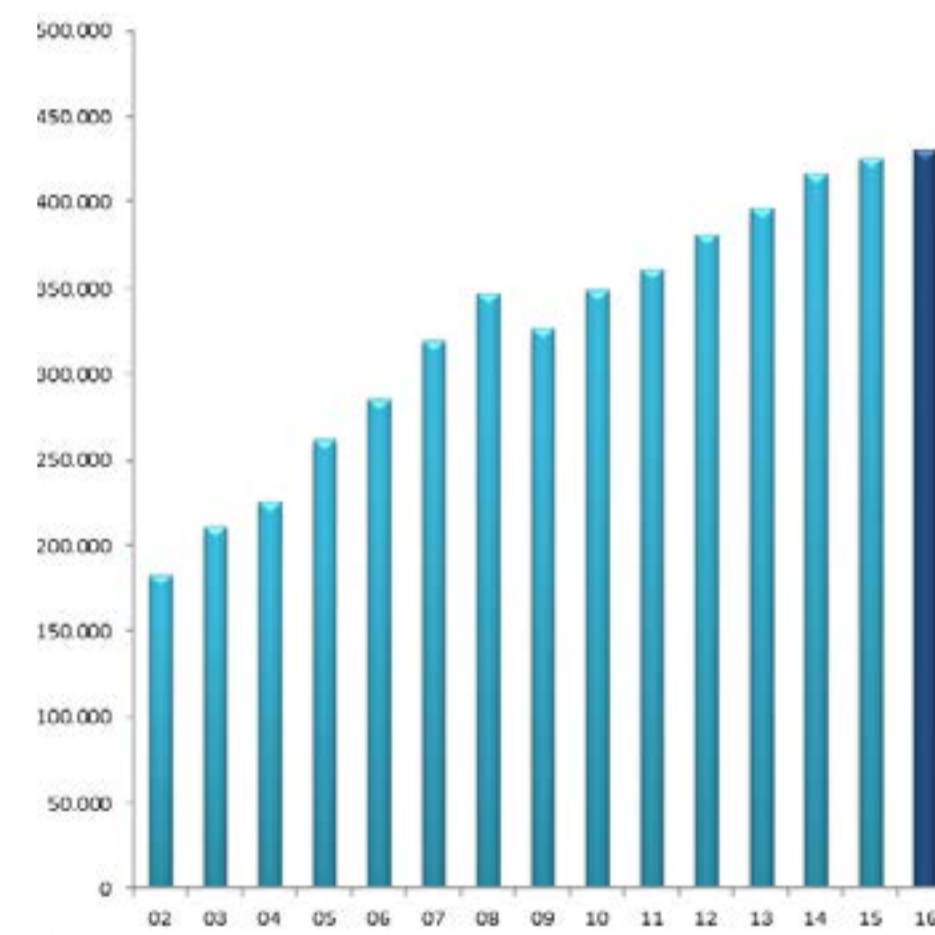
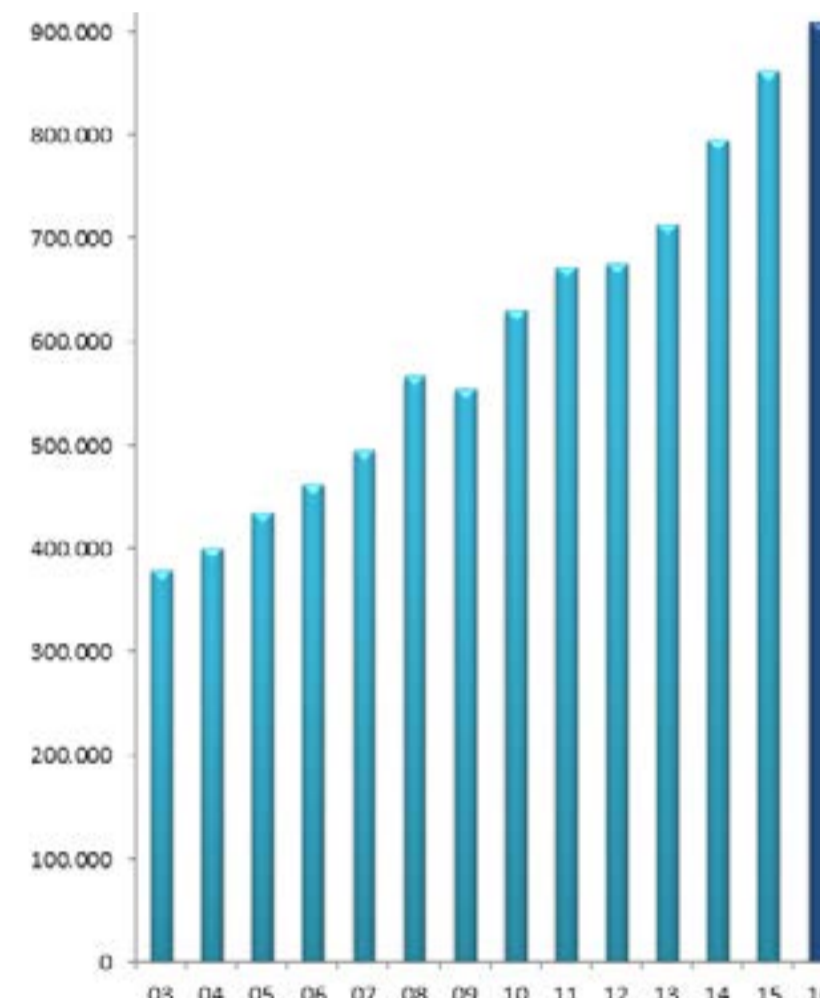
The Spanish intercity coach market has grown once again, reaching record numbers and recovering, in these last three years, from the negative numbers of the previous five years. Irizar's market share in Spain stands at above 40%, thus reaffirming its leading position in the Premium coach segment.



5

Miles de euros

Miles de euros



It is worth highlighting the beginning of sales in the US market and the great reception that the integral i6 model has received there, which has led to really positive expectations for this market.

Integral models have also been launched in Italy, Portugal and Mexico where the forecast, based on the current order book for 2017, looks excellent.

Another notable aspect is the increase in the added value of products, as a consequence of the brand strategy that Irizar has been developing in recent years. Innovation and technology are increasingly crucial factors in the group's strategy and daily work.

We are continuing to hire highly qualified individuals in order to carry out our R&D programmes, both for our integral coaches and for the new electromobility line of business.

In this financial year, the turnover of the overseas plants has accounted for 30% of total turnover. The remaining companies contributed the remaining 20%.

In terms of job creation, the last two years have seen Irizar S. Coop. steadily hire 200 people, a third of whom are highly qualified graduates, in order to increase our technological and R&D capability. We now number almost 800 people in the parent company.

Global growth

Coach companies



Irizar Mexico

It is worth emphasising the growth in the Mexican plant, where 1,000 coaches have been manufactured. This represents a record volume for that country, which is extremely important for the group. Once again, Mexico is the group's largest market in the world.

The start of manufacturing of the i8, our top-of-the-range model, and the great reception it has received, have made this jump in sales volume possible in this country.



Irizar Brasil

Our industry in Brazil is still in the midst of a deep crisis and, although we are still committed to the country, until the internal situation changes, we will continue with our strategy of increasing exports to South American countries, Australia and South Africa.

Australia, Chile and Peru continue to be the main destinations for exports.

Irizar Maroc



Other Group companies

The other group companies have performed similarly to the coach companies, which is why they continue to account for a similar share of the group's total turnover.

The highlight of 2016 has been the creation of the new company, Irizar e-mobility, which is dedicated to offering integral electro-mobility solutions for vehicles as well as their main components and systems for cities. Located in Aduna (Guipuzcoa-Spain), its plant has a covered surface area of 18,000 m² and sits on a 37,000 m² plot.

The Group is now made up of twelve companies that carry out their production activities in Spain, Morocco, Brazil, Mexico, South Africa and the USA, in addition to an R&D Centre which is focused on applied research and technological development of the Group's products and systems.



In Morocco, this year has seen another production record, as a result of meeting the demands of the country's luxury market, and of the collaboration with Irizar Ormaiztegui in the manufacture of Century units for European markets.

Irizar Maroc continues to build on its growth in the Moroccan market where it is the undisputed leader in the luxury coach segment, with a market share close to 100%.

In August last year, an extension of more than 3,000 m² was completed - 20,000 m² of covered space is now available to accommodate Irizar's latest generation of forming machinery production tools.

Important milestones

Launch of the Irizar i6S



One year after the launch of the Irizar i8 in 2015, the new Irizar i6S is launched, a high-tech coach which meets the needs of those in the sector who require dual-level versions with a central aisle, and does so with the style and technology of the new Irizar generation. The Irizar i6S is a versatile coach and, depending on its fit-out, it is suitable for long- and short-distance routes as well as for occasional services.

The Irizar i6S, which adopts the aesthetic features of the impressive i8 and is equipped with the technology of the brand's new models, further improves on the flagship Irizar pb model. The deve-

lopment of this new product is based on cutting-edge technology that highlights concepts such as the quality, robustness and reliability of a model with its own personality.

As with all the brand's other models, the Irizar i6 complies with the R.66.02 safety regulation and has the most modern active safety systems to guarantee stability and reduce risks in unforeseen circumstances.

The new i6 follows the Irizar philosophy. It is a robust, safe, lightweight, quiet and reliable coach.



The HYBRID coach, Irizar's new technology solution



Irizar has become the first European company to launch a class II hybrid coach with a luggage compartment.

Irizar has developed this range of products to provide a sustainable and eco-efficient response to current and future transport needs in big cities and their surroundings. The result of this innovative effort has been the launch in 2016 of the first commuter vehicle using class II hybrid technology for urban and intercity services. This vehicle has been launched in low entry and high floor with luggage compartment versions. **Irizar has become the first European company to launch a class II hybrid coach.**

The hybridisation technology developed by Irizar is parallel hybrid technology. It combines a diesel or HVO (biodiesel) propulsion engine with an electric motor that, depending on the requirements, can power the vehicle at the same time or separately, achieving optimum efficiency and performance.

In addition to environmental improvements, our hybrid coaches reduce fuel consumption by 20%, which allows our customers to save 6000 l/year of diesel. This also impacts on CO2 emissions, which are reduced by around 170,000 gr/year.

The range of hybrid coaches includes the Irizar i4h and the Irizar i3h low entry.

Arrival in the USA

Irizar marked its arrival in the USA by presenting its strategy alongside exclusive local distributor, INA Bus Sales, at the annual UMA show held in Atlanta in February.

The aim is to work hand in hand with operators and provide them with the best products and services tailored to their needs and to position the company in the market as a Premium coach brand.



The Irizar i8 coach and the Irizar Group's 100% electric bus named 2016 Spanish Coach of the Year and Environmentally Friendly Industrial Vehicle of the Year

2016 began with two awards for the Irizar Group. The recently launched Irizar i8 coach was named 2016 Spanish Coach of the Year and the 100% electric city bus was named

2016 Environmentally Friendly Industrial Vehicle of the Year in its first edition.



The Irizar brand

The brand is our greatest asset and an undisputed icon of our strategy to maximise the value of our customers, providing them with the best products and services tailored to their needs and offering them the guarantee of a solid project in which to trust. All this forms part of a strategy based on customer relations and building a direct relationship in order to gain their loyalty and trust.

We offer our customers high added value by providing them with products created and developed thanks to the knowledge of the entire Group. These products, aimed at the Premium segment, provide a differential in terms of safety, reliability, sustainability, technology, service and profitability. Design and innovation are part of Irizar's DNA.

New strategic lines include the development of Irizar brand and technology products and a clear commitment to industrial diversification and increasing our technological capacity that are already part of our culture and identity.

Irizar brand integral coaches and buses are the ultimate representation of our brand. At present, the entire range of integral coaches is available to all our worldwide customers. This is the main element of our growth strategy in Europe and the United States.

We are also focusing our efforts on cultivating Irizar's image, both in our manufacturing plants and in our other facilities such as showrooms, coach delivery buildings, etc.

We are making great efforts to communicate our brand by improving all aspects of our image in fairs and new product launches, corporate and product catalogues, corporate presentations, Group websites, etc.



State-of-the-art solutions and technologies

Since the Irizar Group presented its first integral model, the Group's commitment to technology has been beyond dispute and underpins our commitment in the field of mobility.

Today we can proudly say that we have developed from a coach building company to one that offers a wide range of products and technology solutions ranging from integral coaches and 100% electric buses, to hybrid technology in class II bus models for urban and intercity services and conventional buses and coaches. This means we are able to cover all segments of public passenger transport, including occasional, public, urban, intercity and long-distance transport and to be leaders in the sustainable mobility sector.

The milestones that have contributed to what the Irizar brand represents today - a benchmark in the industry whose products prioritise safety, sustainability, profitability, reliability and quality - began in 2009 and continue more recently in 2014 with the advent of the Irizar i2e electric, in 2015 with the arrival of the Irizar i8, in 2016 with the launch of the new Irizar i6, the Irizar i4 and i3 hybrids and the first prototype of the 18 metre articulated bus, and mean that today we are in a position to offer a new and complete generation of buses and coaches.

Following their development in Europe, Irizar brand coaches are now beginning their journey through Spain, Portugal, Italy, Mexico and USA.

The Irizar service: Beyond a personalized service.

In addition to tried and tested state-of-the-art solutions and technologies, we offer customers customised services, comprehensive electronic management and Irizar connectivity. In short, turnkey solutions and the benefit of having a single point of contact for all your needs.

using 100% Group technology and will have the Irizar quality and service guarantee.

Our product range includes autonomous buses, articulated or bi-articulated buses with opportunity charging and other electric vehicles to serve cities.

Irizar e-mobility's family of electric buses is growing with the 18m articulated bus

The group's first BRT (Bus Rapid Transit) is already undergoing durability testing before it goes into mass production and on sale in 2017.

First major electromobility contract

It is worth highlighting the first major electromobility contract signed with the Basque Coast-Adour Agglomeration in France.

The contract includes the delivery of 18 18.73-metre long 100% electric Irizar i2e articulated buses (BRT), charging stations at the end of each line through rapid charging infrastructures, or slower charging in depots.

National Business Award for the Environment

The Spanish Section of the European Environmental Awards, coordinated by the Ministry of Agriculture, Food and Environment, via the Biodiversity Foundation, has granted Irizar the National Business Award for the Environment in the product-service category. The award allows Irizar to participate as Spain's representative in the European finalists phase.

This award recognises the steps taken by Irizar in terms of the environment and electromobility, and more specifically in the development and manufacture of the 100% electric city bus, the Irizar i2e, which incorporates technologies that contribute to greater energy efficiency and range of city buses.

Six Irizar i2e buses inaugurated France's first 100% electric line

On 6 June, the Régie des Transports de Marseille (RTM) inaugurated the first 100% electric line in the city of Marseille, France.

The six Irizar i2e buses began serving Marseille's iconic 82 line which runs between la Canebière and Euromed (stopping at the headquarters of MPM and the Métropole, the Old Port, MuCEM and the new business district of Euroméditerranée).

These six Irizar i2e buses have a standard configuration, just like the rest of the vehicles that comprise the RTM fleet. The buses incorporate a continuous low-floor configuration with two double doors and an electric access ramp at the central door. The interior layout includes a total capacity of 77, with 27 seated, one person with reduced mobility (PRM), and 51 people standing. The vehicles are equipped with 16 So-Nickel batteries.

Creation of Irizar e-mobility, the Irizar Group's new company

The knowledge and experience of all the Group's companies combine to create Irizar e-mobility, a company whose business is focused on offering complete electromobility solutions for vehicles as well as their main components and systems for cities.

The new company is located in Aduna (Guipuzcoa-Spain) and began its operations in May this year. The plant has a covered surface area of 18,000 m² and sits on a 37,000 m² plot.

The total planned investment in both fixed assets and R&D programmes through 2020 is estimated at 75 million euros.

With that investment, at the Irizar Group we are ready to provide complete mobility systems to cities and citizens, including both 100% electric buses and the main infrastructure systems needed for charging, drive systems and energy storage, all of which will be designed and manufactured



Corporate Social Responsibility

Helping to transform society

As a century-old company, we have always thought and continue to think about the future by focusing our efforts on Sustainable Competitiveness (economic, social and environmental).

We have been committed to sustainability for many years, but we took the most important step in 2011 when we created a new business area focused on electromobility which is shaping the present and will continue to shape much of the Group's future.

Just five years after that decision, we have created a new company - Irizar e-mobility - and we are ready to be part of the transformation of transport systems in cities where current levels of air and noise pollution make it difficult for citizens to have an adequate quality of life. The decision contributes to improving the quality of life of citizens by making their environment more sustainable.



The main benefits for citizens are:

- Elimination of direct emissions of greenhouse gases (GHGs) and toxic substances such as NOx and particulates when operating in urban areas, which contributes to a healthier and more sustainable urban environment. 0% direct emissions in the urban environment.
- Very low carbon footprint of 8.45 g CO2 eq./km.p (per passenger kilometre). 86% reduction in the carbon footprint compared to a diesel bus. Prevents the emission of around 800 tonnes of CO2 during the entire service life of a bus.



- Elimination of the noise of the combustion engine, with no exterior noise emission for passers-by when stopped and when starting (OdBA), while the average noise emission of a bus with a conventional combustion engine is 68 dBA. As the rolling noise is similar, the Irizar i2e reduces noise emission by 20% when driving.

- Energy efficiency of around 70% compared with 30% for a conventional diesel bus which means only half the energy consumption is required to travel the same distance.

In addition, it is worth highlighting these important initiatives carried out in the last year:

- Job creation. In the last two years, Irizar S. Coop. has steadily hired 200 people, a third of whom are highly qualified graduates, in order to increase our technological and R&D capability. This 20% increase in the workforce means we now number almost 800 people in the parent company.
- Attracting talent. We continue to hire highly qualified individuals in order to carry out our R&D programmes, both for our integral coaches and for the new electromobility line of business.
- Participation in strategic reflection. In addition to the usual forums of internal communication, it is important to add the process of strategic reflection carried out by people who represent all of Irizar's work teams, both at the direct and indirect level. The process of this periodic analysis

includes different working meetings in which, in a first phase, participants from the Management Team, the Governing Council and direct and indirect staff participate and whose script covers external aspects of debate that influence Irizar's business, such as the macroeconomic situation, analysis of the sector, the market and competitors. Beyond the ideas of this first analysis, a series of reflections are carried out about Irizar's internal situation as well as the SWOT (Strengths, Weaknesses, Opportunities and Threats) in order to arrive at general conclusions which, in turn, are transferred to all Irizar personnel, who have the opportunity to participate in the process by taking in suggestions and proposals which will subsequently result in actions to improve the competitive position.

- We collaborate with nearby training centres and universities and carry out actions aimed at improving the coach-related knowledge of public transportation and emergency service professionals when responding to accidents involving coaches.
- Support for educational, cultural and traditional activities in our immediate environment.
- Supporting sport as a good way to convey values such as dedication, motivation, effort and teamwork.
- International cooperation through projects with 20 NGOs. We continue to contribute to education, maintenance tasks, infrastructures and attention to the most underprivileged groups.
- Collaboration with **40 non-profit associations** working at local and provincial levels on projects including Caritas, food banks, Red Cross.